

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2017 / 2018 SESSION

DAU5018 – AUDITING 1

(For Diploma Students Only)

17 MARCH 2018
9.00 a.m – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 5 pages with 4 questions.
2. Answer **ALL** questions.
3. Please write your answers in the answer booklet provided.

QUESTION 1**PART A**

Auditing is demanded because it plays a valuable role in monitoring the contractual relationships between the company and its shareholders, managers, employees, and creditors.

Required:

(a) Based the above statements, describe the following terms:

- i. Stewardship
- ii. Stewardship accounting
- iii. Information asymmetry
- iv. Conflict of interest

(8 Marks)

(b) Describe any **THREE (3)** advantages and any **THREE (3)** disadvantages of auditing.

(12 Marks)

PART B

Malaysian Accounting Standard Board (MASB) has three sets of approved accounting standards, namely Malaysian Financial Reporting Standard (MFRS), Private Entity Reporting Standard (PERS), Malaysian Private Entity Reporting Standard (MPERS)

Required:

Briefly explain each of the **THREE (3)** approved accounting standards.

(5 Marks)

[TOTAL 25 MARKS]

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QUESTION 2**PART A**

Hubayb & Suhayb Accounting Firm is one of the big accounting firms located in Kuala Lumpur. Majority of the firm's client come from manufacturing industry. Currently, the firms have more than 20 skillful and experience auditors. Among them are; Cathy, Ben, Danny, Helmi and Steven. These five staff are assigned to conduct the audit for Raytech Technologies Berhad for the year ended 31 December 2017. The description below is related to each of the staff duties and responsibilities.

- i. Cathy is responsible to perform the audit procedures assigned to her. She needs to prepare adequate and appropriate working papers for audit related task. In the case where there is any auditing or accounting problems encountered , she needs to inform Danny about any auditing or accounting problems encountered.
- ii. Ben is responsible to ensure that the audit is properly planned. His work is mainly focusing on reviewing the working papers, financial statements and auditor's report. On the other hand, Danny will assist Ben in the development of audit plan and preparing the audit budgets. Danny is also in charge of supervising and reviewing the work of Cathy.
- iii. Steven's responsibility is to work closely with client to reach any agreement on the scope of the audit service to be provided. He needs to ensure that the audit is properly planned in term of time, cost and date. Other than that, he also needs to ensure that each of the audit team members has the required skills and experience. Lastly, he needs to supervise the audit team, reviewing the working papers and also signing the auditor's report.

Required:

(a) Based on the description above, identify the type of audit team member for each of staff below:

- i. Cathy
- ii. Ben
- iii. Danny
- iv. Steven

(8 Marks)

(b) List **SEVEN (7)** major phases an auditor may perform to conduct an audit.

(7 Marks)

Continued...

PART B

Materiality is an important element in determining the appropriate type of audit report for a given set of circumstances.

Required:

(a) Define “materiality”. **(2 Marks)**

(b) Identify the **THREE (3)** materiality level and explain how it determines the issuance of different type of audit report. **(8 Marks)**

[TOTAL 25 MARKS]

QUESTION 3**PART A**

“Both management and auditor have their own duties and responsibilities regarding company’s internal control.”

Required:

(a) Provide the **FOUR (4)** objectives of internal control. **(4 Marks)**

(b) Differentiate the responsibility between the management and auditor toward company’s internal control. **(6 Marks)**

(c) One of the components of internal control is control environment. Identify and explain any **TWO (2)** factors that can affect the control environment in the company. **(4 Marks)**

(d) Explain any **THREE (3)** examples of control procedures or control activities that are applicable in business operation. **(6 Marks)**

Continued...

PART B

“Audit standards require the auditor to accumulate sufficient appropriate audit evidence to support the opinion issued.”

Required:

(a) Define “audit evidence”. (1 Mark)

(b) Briefly explain the **TWO (2)** factors that determine the appropriateness of audit evidence. (4 Marks)

[TOTAL 25 MARKS]

QUESTION 4**PART A**

“Audit committee plays a significant role in audit engagement.”

Required:

(a) Who is audit committee? (2 Marks)

(b) Identify any **FOUR (4)** functions of audit committee in audit engagement. (8 Marks)

PART B

Public listed companies (PLCs) in the country still have much room to strengthen their internal audit functions, according to a year-long survey commissioned by the Institute of Internal Audit Malaysia (IIAM). In a statement, IIAM said 54% of the PLC on the Main Market preferred to outsource their internal audit function.

Source: The Star Online (4 April 2017)

Required:

(a) Provide any **TWO (2)** objectives of internal audit function in an organization. (4 Marks)

Continued...

(b) It is important for internal auditor to be competent and objective when perform their duties. Identify and explain any **TWO (2)** ways how to assess internal auditor's competency and objectivity. **(4 Marks)**

(c) In your opinion, why do you think majority of company prefer to outsource their internal audit function? Provide your reason. **(2 Marks)**

PART C

Provide any **FIVE (5)** examples of audit evidence that can be found in the audit of financial statements. **(5 Marks)**

[TOTAL 25 MARKS]

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